

Report of the Directors



The directors present their report and the audited financial statements of the Company and the Group for the year ended 30 June 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries and associates as at 30 June 2003 are set out in notes 13 and 14 to the financial statements, respectively.

RESULTS AND APPROPRIATION

The results and appropriation of the Group for the year ended 30 June 2003 are set out in the consolidated income statement on page 26 of the annual report. An interim dividend of HK1.7 cents per share amounting to approximately HK\$10,991,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK2.0 cents per share to the shareholders on the register of members of 28 November 2003, amounting to approximately HK\$12,792,000.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$66.2 million on moulds and machinery and approximately HK\$18.5 million on furniture, equipment and motor vehicles to expand and upgrade its manufacturing and office facilities. The Group revalued its land and buildings at 30 June 2003, resulting in a revaluation deficit of approximately HK\$3.3 million.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company during the year.

Report of the Directors

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Yang Long-san, Rowell
 Mr. Lai Chen-chu, Jack
 Mr. Chang Su-pong, Steve
 Mr. Wang Ming-chun, Morris
 Mr. Yeh Pei-chu, Ivan
 Mr. Wong Kui-ming, Luffer
 Ms. Hui Siu-ling, Elina

Non-executive directors:

Mr. Yip Ka-kay, Kevin
 Mr. Wu Yaw-min (resigned on 17 September 2002)

Independent non-executive directors:

Mr. Lee Chiu-kang, Alex
 Mr. Chan Mo-po, Paul

In accordance with Bye-law 111 of the Company's Bye-laws, Mr. Yip Ka-Kay, Kevin will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Except for Mr. Wang Ming-chun, Morris and Mr. Yeh Pei-chu, Ivan, all the executive directors have entered into service contracts with the Company for a term of three years commencing from 1 June 1997. Subsequent to 31 May 2000, the service contracts are renewable automatically for successive terms of one year, subject to their termination by either party giving not less than six months' notice in writing to the other party.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from those disclosed under the heading "SHARE OPTIONS" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive directors

Mr. Yang Long-san, Rowell, aged 47, is the Chairman and Managing Director of the Company. He is the founder of the Group and has over 22 years' experience in the computer and electronics industry. He is responsible for the Group's overall strategic planning, policy making and finance.

Mr. Lai Chen-chu, Jack, aged 48, joined the Group in April 1999. He holds a master's degree in Law from 東吳大學 Soochow University of Taiwan. He has over 14 years' experience in law and business administration. He was the former judge of 台灣板橋地方法院 (the district court of Pan-Chiao City, Taiwan), and was employed as an attorney in a business litigation law firm for several years. Mr. Lai is responsible for the strategic planning, corporate secretarial and legal matters of the Group.

Mr. Chang Su-pong, Steve, aged 49, joined the Group in March 1991. He holds a diploma in 電子工程 Electronic Engineering from 國立台北工業專科學校 National Taipei Institute of Technology of Taiwan. He has over 21 years' experience in the computer monitor industry. Mr. Chang is responsible for the general management of the Group's factories in China.

Mr. Wang Ming-chun, Morris, aged 49, joined the Group in February 1994. He holds a diploma in Electronic Engineering from Kun Sun Institute of Technology of Taiwan. He has over 21 years' experience in the computer monitor industry. Mr. Wang is responsible for the operation of the Group.

Mr. Yeh Pei-chu, Ivan, aged 44, joined the Group in January 2002. He holds a bachelor of business degree in Business Mathematics from 東吳大學 Soochow University of Taiwan. Mr. Yeh has over 3 years' experience in the banking industry and has worked for a Taiwanese electronics company as a CFO and CIO for over 11 years. Mr. Yeh is the Finance Director of the Group.

Mr. Wong Kui-ming, Luffer, aged 42, joined the Group in April 1994. Mr. Wong holds a bachelor of science degree in 電機工程 Electrical Engineering from 國立台灣大學 National Taiwan University of Taiwan. He also obtained his master's degree in Business Administration from the University of Leicester in the United Kingdom. Mr. Wong is responsible for the corporate relationship management of the Group and has over 16 years' experience in the computer industry.

Ms. Hui Siu-ling, Elina, aged 45, joined the Group in May 1994. Ms. Hui is responsible for the administration of the Group.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS *(continued)*

Independent non-executive directors

Mr. Lee Chiu-kang, Alex, aged 53, has been in the investment business, both in Canada and Hong Kong, for over 21 years. He has worked as the head of investment operations for four major financial institutions. For each of his previous employment, he was responsible for investment strategies and for recruiting, training and supervising staff. Mr. Lee holds a bachelor of arts degree in Economics from the Golden Gate University of the United States of America and is currently appointed by Development Research Center of Guangdong Government of China as a research fellow.

Mr. Chan Mo-po, Paul, aged 48, is a graduate of The Chinese University of Hong Kong where he obtained both his bachelor's and master's degrees in Business Administration. He is a fellow member of the Association of Chartered Certified Accountants; the Hong Kong Society of Accountants; the Institute of Chartered Secretaries and Administrators; the Taxation Institute of Hong Kong; the Society of Chinese Accountants and Auditors; and the Macau Society of Certified Practising Accountants. He has over 26 years' experience in the accounting and finance field and is the managing partner of Paul Chan & Partners. He is currently a Vice President of the Hong Kong Society of Accountants. He is a former Chairman of the Association of Chartered Certified Accountants – Hong Kong Branch and a former member of the World Council of the Association of Chartered Certified Accountants in the United Kingdom.

Non-executive director

Mr. Yip Ka-kay, Kevin, aged 39, is an executive director of GEMS (HK) Ltd. He has over 16 years of investment banking and direct investment experience in the United States of America and Hong Kong. He was previously Vice President of JP Morgan International Capital Corporation. He is currently the Chairman of the Hong Kong Venture Capital Association. He holds an A. B. degree with Honors in Economics from Harvard University.

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DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2003, the interests and short positions held by the directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Long positions in shares of the Company

Name of director	No. of ordinary shares	Capacity and nature of interest	% of issued share capital
Mr. Yang Long-san, Rowell	245,862,724	Beneficial owner of 21,152,000 shares and interest of controlled corporation in 224,710,724 shares (Note)	38.69%
Mr. Lai Chen-chu, Jack	3,450,000	Beneficial owner	0.54%
Mr. Chang Su-pong, Steve	2,720,000	Beneficial owner	0.43%
Mr. Wang Ming-chun, Morris	5,638,000	Beneficial owner	0.89%
Mr. Yeh Pei-chu, Ivan	1,620,000	Beneficial owner	0.25%
Mr. Wong Kui-ming, Luffer	3,230,000	Beneficial owner	0.51%
Ms. Hui Siu-ling, Elina	500,000	Beneficial owner	0.08%
Mr. Lee Chin-kang, Alex	500,000	Beneficial owner	0.08%
Mr. Yip Ka-kay, Kevin	100,000	Beneficial owner	0.02%
Mr. Chan Mo-po, Paul	906,896	Beneficial owner of 300,000 shares and spouse interest in 606,896 shares	0.14%

Note: These shares are registered in the name of, and beneficially owned by, Peipus International Ltd., a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Yang Long-san, Rowell.

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DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

(b) Long positions in underlying shares and debentures and short positions in shares, underlying shares and debentures

Other than as disclosed under the section headed "SHARE OPTIONS", there were no long positions in the underlying shares and debentures or any short positions in the shares, underlying shares and debentures of the Company and its associated corporations, which were recorded in the register as required to be kept under Section 352 of Part XV of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

Save as disclosed therein, neither the directors nor any of their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2003 as defined in Section 352 of the SFO.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 24 to the financial statements.

The following table discloses movements in the Company's share options during the year:

(a) Share option scheme adopted by the Company on 26 May 1997

Name or category of participant	As at 1 July 2002	Granted during the year	As at 30 June 2003	Date of grant of share options (note i)	Exercise period of share options	Exercise price of share options HK\$ (note ii)
Directors						
Mr. Yang Long-san, Rowell	2,500,000	-	2,500,000	25 June 1999	1 January 2000 – 31 December 2004	1.20
	2,500,000	-	2,500,000	25 June 1999	1 January 2001 – 31 December 2005	1.20
	5,000,000	-	5,000,000			
Mr. Lai Chen-chu, Jack	875,000	-	875,000	25 June 1999	1 January 2000 – 31 December 2004	1.20
	875,000	-	875,000	25 June 1999	1 January 2001 – 31 December 2005	1.20
	1,750,000	-	1,750,000			
Mr. Chang Su-pong, Steve	250,000	-	250,000	25 June 1999	1 January 2000 – 31 December 2004	1.20
	250,000	-	250,000	25 June 1999	1 January 2001 – 31 December 2005	1.20
	500,000	-	500,000			

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SHARE OPTIONS *(continued)*

(a) Share option scheme adopted by the Company on 26 May 1997 *(continued)*

Name or category of participant	As at 1 July 2002	Granted during the year	As at 30 June 2003	Date of grant of share options <i>(note i)</i>	Exercise period of share options	Exercise price of share options HK\$ <i>(note ii)</i>
Directors						
Mr. Wang Ming-chun, Morris	250,000	–	250,000	25 June 1999	1 January 2000 – 31 December 2004	1.20
	250,000	–	250,000	25 June 1999	1 January 2001 – 31 December 2005	1.20
	500,000	–	500,000			
Mr. Wong Kui-ming, Luffer	500,000	–	500,000	25 June 1999	1 January 2000 – 31 December 2004	1.20
	500,000	–	500,000	25 June 1999	1 January 2001 – 31 December 2005	1.20
	1,000,000	–	1,000,000			
Ms. Hui Siu-ling, Elina	250,000	–	250,000	25 June 1999	1 January 2000 – 31 December 2004	1.20
	250,000	–	250,000	25 June 1999	1 January 2001 – 31 December 2005	1.20
	500,000	–	500,000			
Mr. Lee Chiu-kang, Alex	150,000	–	150,000	25 June 1999	1 January 2000 – 31 December 2004	1.20
	150,000	–	150,000	25 June 1999	1 January 2001 – 31 December 2005	1.20
	300,000	–	300,000			
Mr. Chan Mo-po, Paul	75,000	–	75,000	25 June 1999	1 January 2001 – 31 December 2005	1.20
Sub-Total	9,625,000	–	9,625,000			
Other employees						
In aggregate	2,575,000	–	2,575,000	25 June 1999	1 January 2000 – 31 December 2004	1.20
	2,575,000	–	2,575,000	25 June 1999	1 January 2001 – 31 December 2005	1.20
	5,150,000	–	5,150,000			
	14,775,000	–	14,775,000			

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SHARE OPTIONS *(continued)*

(b) Share option scheme adopted by the Company on 12 February 2003

Name or category of participant	As at 1 July 2002	Granted during the year	As at 30 June 2003	Date of grant of share options (note i)	Exercise period of share options	Exercise price of share options HK\$ (note ii)
Directors						
Mr. Yang Long-san, Rowell	-	2,400,000	2,400,000	24 March 2003	24 September 2003 – 23 March 2013	1.04
	-	2,400,000	2,400,000	24 March 2003	24 March 2004 – 23 March 2013	1.04
	-	4,800,000	4,800,000			
Mr. Lai Chen-chu, Jack	-	850,000	850,000	24 March 2003	24 September 2003 – 23 March 2013	1.04
	-	850,000	850,000	24 March 2003	24 March 2004 – 23 March 2013	1.04
	-	1,700,000	1,700,000			
Mr. Chang Su-pong, Steve	-	750,000	750,000	24 March 2003	24 September 2003 – 23 March 2013	1.04
	-	750,000	750,000	24 March 2003	24 March 2004 – 23 March 2013	1.04
	-	1,500,000	1,500,000			
Mr. Wang Ming-chun, Morris	-	2,500,000	2,500,000	24 March 2003	24 September 2003 – 23 March 2013	1.04
	-	2,500,000	2,500,000	24 March 2003	24 March 2004 – 23 March 2013	1.04
	-	5,000,000	5,000,000			
Mr. Wong Kui-ming, Luffer	-	750,000	750,000	24 March 2003	24 September 2003 – 23 March 2013	1.04
	-	750,000	750,000	24 March 2003	24 March 2004 – 23 March 2013	1.04
	-	1,500,000	1,500,000			
Mr. Lee Chiu-kang, Alex	-	100,000	100,000	24 March 2003	24 September 2003 – 23 March 2013	1.04
	-	100,000	100,000	24 March 2003	24 March 2004 – 23 March 2013	1.04
	-	200,000	200,000			
Mr. Chan Mo-po, Paul	-	75,000	75,000	24 March 2003	24 September 2003 – 23 March 2013	1.04
	-	75,000	75,000	24 March 2003	24 March 2004 – 23 March 2013	1.04
	-	150,000	150,000			

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SHARE OPTIONS *(continued)*

(b) Share option scheme adopted by the Company on 12 February 2003 *(continued)*

Name or category of participant	As at 1 July 2002	Granted during the year	As at 30 June 2003	Date of grant of share options <i>(note i)</i>	Exercise period of share options	Exercise price of share options HK\$ <i>(note ii)</i>
Directors <i>(continued)</i>						
Mr. Yeh Pei-chu, Ivan	-	750,000	750,000	24 March 2003	24 September 2003 – 23 March 2013	1.04
	-	750,000	750,000	24 March 2003	24 March 2004 – 23 March 2013	1.04
	-	1,500,000	1,500,000			
Mr. Yip Ka-kay, Kevin	-	50,000	50,000	24 March 2003	24 September 2003 – 23 March 2013	1.04
	-	50,000	50,000	24 March 2003	24 March 2004 – 23 March 2013	1.04
	-	100,000	100,000			
Sub-total	-	16,450,000	16,450,000			
Other employees						
In aggregate	-	1,750,000	1,750,000	24 March 2003	24 September 2003 – 23 March 2013	1.04
	-	1,750,000	1,750,000	24 March 2003	24 March 2004 – 23 March 2013	1.04
	-	3,500,000	3,500,000			
	-	19,950,000	19,950,000			

Notes:

- (i) The vesting period of share options is from the date of the grant until the commencement of the exercise period.
- (ii) The exercise price of share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- (iii) The closing price of the Company's shares immediately before 24 March 2003, the date of grant of the options during the year, was HK\$0.98.

The directors do not consider it is appropriate to disclose a theoretical value of the share options of the Company granted because a number of factors crucial for the valuation are subjective and uncertain. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful, and would be misleading.

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CONVERTIBLE BONDS

Details of the convertible bonds redeemed by the Company during the year are set out in note 22 to the financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed under the section headed “SHARE OPTIONS”, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the directors or chief executives, nor any of their spouses or children under the age of eighteen, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

DIRECTORS’ INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

In the opinion of the board of directors, including the independent non-executive directors, of the Company, the transactions during the year with Isystems Technology, Inc. (“Isystems”), a company of which Messrs. Yang Long-san, Rowell and Yang Yun-tsai (father of Mr. Yang Long-san, Rowell) own 19.4% and 16.8% of the issued share capital, respectively, were:

- (i) conducted in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) fair and reasonable so far as the shareholders of the Company are concerned.

During the year, the Group paid operating lease rentals in respect of land and buildings and plant and machinery of approximately HK\$1,448,000 to Isystems.

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules and no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 30 June 2003, the interests and short positions of the substantial shareholders and other shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO were as follows:

(a) Long positions in shares of the Company

Name of substantial shareholder	No. of ordinary shares	Capacity and nature of interest	% of issued share capital
Mr. Yang Long-san, Rowell	245,862,724	Beneficial owner of 21,152,000 shares and interest of controlled corporation in 224,710,724 shares (<i>note i</i>)	38.69%
Pepius International Ltd. (<i>Note i</i>)	224,710,724	Beneficial owner	35.36%
Value Partners Limited (<i>Note ii</i>)	40,512,000	Investment Manager	6.37%
Mr. Cheah Cheng Hye (<i>Note ii</i>)	40,512,000	Interest in controlled corporation	6.37%

Notes:

- (i) The entire issued share capital of Pepius International Ltd. is owned by Mr. Yang Long-san, Rowell. Accordingly, Mr. Yang Long-san, Rowell is deemed to be interested in all the shares in which Pepius International Ltd. is interested pursuant to the SFO.
- (ii) The issued share capital of Value Partners Limited is owned as to approximately 32.53% by Mr. Cheah Cheng Hye. Accordingly, Mr. Cheah Cheng Hye is deemed to be interested in all the shares in which Value Partners Limited is interested pursuant to the SFO.

(b) Long positions in underlying shares and short positions in shares and underlying shares

There were no long positions in the underlying shares or short positions in the shares and underlying shares of the Company, which were recorded in the register as required to be kept under Section 336 of Part XV of the SFO.

Save as disclosed herein, no other person had interests or short positions in the shares and underlying shares of the Company, which are recorded in the register to be maintained by the Company pursuant to Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers in aggregate accounted for approximately 36% of the turnover of the Group and the largest customer accounted for approximately 13% of the total turnover of the Group.

The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 46% of the total purchases of the Group and the largest supplier accounted for approximately 17% of the total purchases of the Group.

At no time during the year did a director, an associate of a director or a shareholder of the Company, which to the knowledge of the directors owns more than 5% of the Company's issued share capital, have an interest in any of the five largest customers and suppliers of the Group.

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PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the Companies Act 1981 of Bermuda (as amended), which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year ended 30 June 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

The term of office for each non-executive director of the Company is the period up to his retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

DISCLOSURE PURSUANT TO PRACTICE NOTE NO. 19 OF THE LISTING RULES

In accordance with Practice Note No. 19 of the Listing Rules, the Group hereby discloses that the Group had a trading receivable from a customer, namely Dongguan Huaguan Electronics Co., Ltd. ("DHEC"), of approximately HK\$192 million at 30 June 2003, which was unsecured and interest-free. The receivable arose from sales made during the year. The amount due exceeded 25% of the Group's net assets as at 30 June 2003. Up to the date of this report, 38% of the receivable from DHEC had been settled.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company. The Group's financial statements for the year ended 30th June, 2003 have been reviewed by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

AUDITORS

During the year, Messrs. Ernst & Young resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company. A resolution will be submitted to the annual general meeting to re-appoint the auditors, Messrs. Deloitte Touche Tohmatsu.

ON BEHALF OF THE BOARD

Yang Long-san, Rowell
Chairman & Managing Director

Hong Kong, 29 October 2003